

**KAILUA NEIGHBORHOOD BOARD NO. 31
SPECIAL MEETING
THURSDAY, JANUARY 12, 2006
KAILUA RECREATION CENTER
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DRAFT

Chair Kathy Bryant-Hunter Called the Special Meeting to order at 7:05 p.m. with a quorum present.

MEMBERS PRESENT: Lawrence Bartley, Kathy Bryant-Hunter, Jon Chinen, Jim Corcoran, Michael Correa, Virginia Enos, Dale Gibler, Debbi Glanstein, Knud Lindgard, Charles Prentiss, Claudine Tomasa, Linda Ure, Bill Wilson, Josh Wisch, Donna Wong.

MEMBERS ABSENT: Susan Dowsett, Michael Dudley, Faith Evans, Joe Harding.

GUESTS: Councilmember Barbara Marshall and Staff members Gail S. Meyers, and Nancy Azeri; Gary Kurokawa (Administrator, Real Property Assessment Division:Department of Budget & Fiscal, Services Property Tax Department, Real Property Office); Representatives Pono Chong, Cynthia Thielen and Tommy Waters; Senators Fred Hemmings and Bob Hogue; Ingeborg Hopkins, Mary Jo Morrow, Betty Bazea, D. Dudley Pratt, Lynn Miller, Martin J. Gusdorfson, Helen Walker, Joan Tawara, Mr & Mrs. David Ballum, Mr & Mrs Frank Eldridge, Sylvia Edgar, Virginia Fine, Mr. & Mrs. Stanley Lindo, Abby Doo, Regina Conratta, Polly Gourley, Grace Dunning, Col. R. W. Molyneux, Jr., Barbara J. Rocha, Elizabeth A. Roth, Peter S. Miller, Grant O'Donnell, Kathleen Dias, Dennis Dias, Steven Daugherty, Ed Enos, Orlando Paguchver, Willi Riley, Glen Van Ingen, Maria Maynard, Raymond T. H. Lau, Bernice K. H. Lau, Antonio Boneza, Jr., Gary Macleod, Connie MacLeod, Frank Adolphi, Lorraine Dias, Dorothea K. Nary, Clyde L. Friar, Darnelle Friar, Thomas Roberts, Donna Stott, Dolores Myers, Fred Hemmings, Ken Kanter, Faid Mahmoud, Philip E. Ritch, Ronald G. Foster, Maryjane Healbron, Kary & Mary Adams, Judith Brettwieser, Albert C. Garcia, Melvyn Mau, Jean Ngum, Jorn Swenson, John R. Elliott, Ronald B. FitzGerald, Wayne Andueus, Joan Kuhlman, Kiyo Yamada, Shannon Wood, Tom Pires, Tom Fragas, Cora Murabayashi, Gilbert & Juliet Fujimoto, Jane Okinaka, Tom Bowman, Stan Chock, Stann Reiziss, Mary Ellen Way, Ed Greany, E. H. & Norma Gunther, Georgiana Chock, Gloria L. Larson, Agnes Leo, Leona Perez, Pamela DaGrossa, Joe Gilman, Craig Batchelder, D. Vanryzin, Ted Moore, Richard White, Barbara Pope, Nancy Thomas, Alan J. Sonza, Phuong Ball, Franklin Nakanaes, Wes Richardson, Tom & Judy Geis, Mildred Kane, Larry & Jane Marcum, Eugene & Lorne Shiroma, Joshua Wish, Donald Reynolds, Audrey Sepson (Rep. Tommy Waters Staff), Julie Lim, Sam Failla, Don Mangiarelli, Eve G. Anderson, Bob Grantham, Raymond H. Lau, Alden & Doris Avery, Terry Puuohau, Jan Piper, James Hayes, Tom Turek, Rose Miyamoto, Nathan Aipa, Jeanne Schults (Mayor's Office), Ursula Retherford, Steven Dougherty, Me Matsui, M. Loyala, Chris Evans, Ralph Sprague, A J. Jaeger, Marsha Joyner, Mila Adse, Herman Accerstorfer.

Chair Bryant-Hunter welcomed the community in attendance and reviewed the agenda. Copies of forms for appealing property tax assessments; along with current City Council bills and resolutions to address property tax issues were provided by the Kailua Neighborhood Board and Councilmember Barbara Marshall's office. The room was available until 9:00 p.m. and community members will have an opportunity to speak to the issues of property tax assessment. Acknowledged for their attendance were Representative Cynthia Thielen, Senators Bob Hogue and Fred Hemmings and all Neighborhood Board members for attending the Special Meeting. The purpose of the meeting is to hear what the community has to say on the issue of Property Tax Assessments and Rates. The meeting will be divided into two parts: Property Tax Assessments in Kailua followed by How to File an Appeal; City Council legislative Initiatives and State Legislative Initiatives for Real Property Tax Relief.

PROPERTY TAX ASSESSMENTS IN KAILUA: Councilwoman Barbara Marshall gave an overview on property tax assessments in Kailua with in the first part of the meeting directed to an overview of the initiatives for Real Property Tax Relief in the form of bills and resolutions being considered by City Council along with the forms available that apply to the appeal process.

A question and answer period will follow addressing filing an appeal. Speakers are limited to one (1) minute to accommodate the large turnout. Please address specifics that you want the City to do—what works for you. Shall the focus be on everyone, senior citizens, and persons with low income? That kind of input will assist the Board in addressing the issues with legislators both at City & County as well as State level. Immediately following the State elected officials will speak to the State Legislative Initiatives for Real Property Tax Relief, followed by further public comment on initiatives for real property tax relief--Speakers are again limited to one (1) minute). Address specifics that you want the State to do—what works for you.

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Councilmember Marshall thanked the Board for hosting the special meeting and introduced Gary Kurokawa who will explain how the property tax assessment system works and as the deadline is January 17, 2006, information on how to file an appeal. General questions will be taken for Gary on how to appeal as well as on the system itself. For particular problems a homeowner may have, Gary will meet individually with those persons in the back of the room, and speaking and emailing the Councilmember will facilitate that process for those specifics. This meeting is for general concerns.

PROPERTY TAX ASSESSMENTS IN KAILUA: HOW TO FILE AN APPEAL

Gary Kurokawa stated that the assessments were formulated on fair market value of the property during the last two years, as required by law. This includes properties that have been lived in for a very long time. This process is done by taking all the sales that are in the neighborhood and by the use of a table of those property fair market values. We have no latitude; we must take 100% of fair market value. The exemptions, for age, begin at \$40,000 and increase to \$120,000, by age, for the owner-occupant. Also is available, a low-income tax credit for seniors. If you are concerned that you are not getting all the entitlement contact us and we will help you determine the exemptions and credits available to you. After the assessment and the exemptions and credits available to you, you would have received, on December 15 (2005) your assessment and the net reflected amount you would pay along with an attached appeals form for you to use if you feel the assessment is not correct. You must file this appeals form by January 17 (2006)—postmarked by January 17 and received by our office. There are four ground you can appeal: 1) Assessment of the property exceed by more than 10% of the market value of the property; 2) lack of uniformity or inequality, brought about by illegality of the methods used or error in the application of the methods to the property involved; 3) denial of an exemption to which the taxpayer is entitled and for which such person has qualified; 4) illegality, on any ground arising under the Constitution or laws of the United States or the laws of the state or the ordinance of the city in addition to the ground of illegality of the methods used, mentioned in clause (2). If the appeal is not properly filed, signed, and the deposit of \$25.00 is not received by the deadline, your appeal will be rejected. Once the appeal is filed, the office will be calling you to schedule an onsite appointment for the property in your appeal. This gives us an opportunity to examine our records to see if they are correct, verify the material that we have on your property, match it with what you actually have on the property, and examine whether the evaluation of your property has been done reasonably. Evidence you may use to strengthen your position is a recent appraisal report, for instance for securing a loan, or comparable sales figures for property sold in your neighborhood. This will help us determine if you have a valid appeal. That material you provide will be taken into consideration and you will be notified by the Appeals Board in two weeks.

QUESTIONS AND ANSWER RELATING TO APPEALS:

- Mary Jo Morrow: The 2003-2004 Property Value was in two parts: A Land Value and a Building Value. In 2005 and 2006 it is only Property Value and the home (or building) is no longer a separate part of the assessment. Why? Gary Kurokawa responded that prior to 2003 there was a land component and a building component. In 2002 the ordinance changed and the land and building are reflected as a total property value. Another reason is that prior to 2000 our system was a cost approach for the land value and the building value. In 2000 more technology became available (Computers) and the system is now the market driven value, or comparable sales value approach to arrive at the total value reported. When the conversion was made to Market Value, no allocation was used between land and building, only total value, or market value. It is not feasible to say the land is one value and the building is another value, and people were complaining about that, especially in condominiums. The previous allocation was arbitrary and we don't use it anymore. During Fee Conversion there was a lot of confusion. In 2000, the City took the Market approach. The Land and Building values can be found at the website: <http://www.honolulupropertytax.com> along with parcel maps and prior histories on the properties. The current assessment has not yet been posted there.
- Dorothea Nary spoke in opposition to assess the property at Market Value only, especially when investors come in, by property, leave, and rent it out. Ms. Nary urged the recording of the property with specific allocation for properties that are not the principal resident of the owner. Gary Kurokawa replied that the

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- Department hears that all the time, however, Market Value is the standard of the City and County and they should address that issue along with other in the near future.
- Donna Stott (Realtor), of The Stott Team, prepared comparable property analysis for Kailua and brought them for review by the community. On the Stott Team webpage is a free full statistical report on every neighborhood on Oahu and it can be found at www.windwardupdate.com. It is important to point out that for every \$1000 reduction in the value of the property during the appeal process the taxpayer would receive \$3.75 reduction in the property tax bill.
- Raymond Lau pointed out that everything has gone up but pay has not. Having lived in Kailua for 51 years, he has seen only some improvement in services. The retired and the poor are not able to continue living in their homes because of the increases in property taxes. Gary Kurokawa responded that the assessment had gone up on fixed improvements to the home and that affects the market value of the property. Seniors have exemptions by age. There is a safety net tax credit based on a percentage of income that assists fixed income and low income. One would have to check to see if they qualify for that tax credit.
- Steven Dougherty, Kailua resident questioned the market value on comparable sales last year as some properties have had considerable fix-ups that increased the property value; however, his property has had no such improvement so how does he appeal with proof of the value of his property during an appeal? He has not renovated. Gary Kurokawa responded that the homeowner may contact the Board of Realtors and ask about that property and ask for the dollar amount of the renovation and when it was done. The sales prices set by the realtors are adjusted by the realtors prior to placing the property on the market to include remodeling of a property. You must check to see if that adjustment done by the realtor was appropriate valued. You may be able to use that information with your appeal.
- Mary Ellen Way, Kailua resident, questioned that should she send in an appeal with her \$25.00, how long would it be before she heard back about her appeal? When would she be contacted? Gary Kurokawa responded that last years the office had 4,125 appeals. The office currently has 1900 outstanding appeals from 2005 at the end of fiscal year. There have already been appeals received for 2006. The office anticipates five to six thousand appeals will be received in 2006. Mr. Kurokawa suggested it would be a least a year before the office contacted the homeowner on their specific appeal.
- Knud Lindgard, resident and Board Member, stated that all Real Estate appraisals are to comply with the Federal funded Act 108, and State Act 46(k)(1-4) to comply with Uniform Standard of Appraisers Practice USAP and only an licensed appraiser will be used. Any ad valorem, meaning the Real Property Assessment Division, is exempt from this proceeding. If a homeowner has an appraisal done under these standards, what legal right does the department have to say no, the mass appraisal is correct over the specific appraisal on the property. Gary Kurokawa responded that the homeowner would have to provide evidence done by an appraiser. The office operates under Chapter 8 which governs the Department of Assessments. We are required to follow the ordinance for mass appraisal. Mr. Lindgard again asked if the department would follow mass appraisal over specific appraisal. Mr. Kurokawa stated the evidence would have to be supplied to the Department to examine the specific appraisal to decide if the homeowner had valid appeal criteria.
- Gary MacLeod questioned how many, by percentage or by number, out of the appeals filed in the last 2 to 3 years have been found in favor of the residents. Gary Kurokawa suggested it would be difficult to define a win. However, the refund of the fee (\$25.00) plus half of the difference in dispute can be considered a win. The office has had approximately 60-70 % in favor of the office and 40-30% has been in favor of the taxpayer, using those criteria (half of the difference in dispute).
- Larry Bartley asked if the office has maps they use for the boundary of the valuation districts like what was done in 1998-1999. Mr. Kurokawa responded they had such maps. Mr. Bartley reminded that he had requested those maps to be brought to the meeting and asked if that had been done. Mr. Kurokawa

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- responded no, but the assessment considers the properties as reported when sold in the area. Mr. Bartley asked if the maps reflected the boundaries of the areas of the sales by neighborhood. It was important for the taxpayer to know the area they were included in. Was that map reference on the web for access by property owners? Mr. Kurokawa answered the maps are not on the internet. Mr. Bartley queried just what means were used to assess the property of the resident? Mr. Kurokawa responded the appraisal values have stood the evidence of time, and the date of the department appraisal value was October 1, 2005 for the sales from July 2004 to June 2005
- Mike Dougherty requested clarification that if there was no development, or sales from July 1, 2004 to June 30, 2005 in his area, there was not appraisal increase for his area? Kurokawa responded the relevant time-line must have no sales in the taxpayer's area. Mr. Dougherty asked; for those unable to find an appraiser in such a short time before the deadline, does the website allow the taxpayer to locate the information for his area? What was sufficient evidence for such an appeal? Mr. Kurokawa responded the criteria are on the appeals form and the phone numbers listed on the website could assist the taxpayer in considering the evidence for appeal. The taxpayer may also contact the office with questions in the email portion of the website.
- Marsha Joyner asked if she appeals, when, exactly, does she pay the tax. Mr. Kurokawa stated the first half of the tax is due August 20, 2006, the bills will be sent July 20, 2006. Ms. Joyner asked if the tax was due despite an appeal in process. Mr. Kurokawa replied the tax was due during the appeal process and should the taxpayer prevail, the taxpayer would receive a refund of the tax that was over-paid. Ms Joyner stated the mortgage lenders are already taking the dollars toward the assessment in the reserve funds of the mortgage lender. Mr. Kurokawa had no information on the mortgage holders processes, however, mortgage lenders do withhold for taxes.
- A. J. Jaeger asked if there was no tax relief or persons who are not seniors, in the military, or on fixed income. She questioned the feasibility of using fair market value when her home is being taxed at \$937,000 and is paying \$1,006.00 per square foot of living space. The average square foot of living space in her neighborhood is \$516.00. She feels she is being taxed on what her house "might" sell for. She questioned whether or not her taxes go down the market value of her property went down. Mr. Kurokawa responded that there was a ten to one chance that next year's assessment would go down. Ms. Jaeger was disturbed that she was being taxed more than twice the value of the living space over the last appraisal period and whether that was in any way fair. Mr. Kurokawa reminded that the appraisal period was as of the market value at October 1, 2005. She may utilize a private appraiser for her property to use in her appeal.
- A gentleman from the audience asked why Ms. Jaeger's property was at twice the value per square foot as her neighbors.
- Councilwoman Barbara Marshall acknowledged the frustration of the audience and requested speakers to come to the microphone to speak and to stay in the parameters of the questioning period for information for the appeals process. There are staff members from the assessment office in the back of the room to take specific questions on specific property.
- Leona Pereza was concerned with a grass roots question. She had called the City tax office to determine the exact services the property tax would pay for. The staff member read from the brochure. She also said the Water and Sewer fee, the vehicle weight tax and the fuel tax also paid for the same city services the property tax does. All of those fees have increased substantially. What justifies the increase in property tax by changing the way you calculate the property tax? All it means is more revenue to the City. How many times can we increase taxes for the same services? Mr. Kurokawa felt he was not qualified to answer that set of questions beyond the assessment's office role and perhaps Ms. Pereza should address her budget matter questions to the Mayor and perhaps the administration could respond to her questions.

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- Melvin Morris asked if the assessment comes out each year if you fill appeal. Mr. Kurokawa responded only if you file an appeal. Mr. Morris described an accident having destroyed his fence—10-15 feet of fence that cost him \$1,700 to repair and his property value had gone up \$300,000. He had also reduced his property by 100 feet, how does he appeal that? He further reduced his property to increase the visibility as it is a corner house, how does he appeal that lost of property. Mr. Kurokawa stated that Mr. Morris should get a copy of the original building plan and be able to compare it to the time if there has been a change. This is your protection: that of the 270,000 parcels in island, your records are correct with the City. If there have been no sales then the City records may not have been updated to reflect the adjustment you refer to. That is why, during an appeal, the office staff comes to the property to check the differences you appeal.
- Wes Richardson questioned why this meeting was being held—to assist on assessed values of land or was it a disclaimer of the appeal process. Folks have come out to night for one reason, to get taxes lowered. Appealing and paying the \$25.00 sure appears it won't help the taxpayers anyway, and you are out the \$25.00. Our property taxes have gone up, but this doesn't say we are going to get any relief.
- David Dunn asked if the property is taxed at the same rate when it is fee simple or leasehold. Or is it taxed twice and is that grounds for appeal. Mr. Kurokawa responded the land is taxed in it's entirely and leasehold is usually passed through to the lessee from the fee owner.
- Mr. ____ questioned the exemptions. In 1982 my property was assessed at about \$50,000 and the exemption was \$24,000 or 46%. In 1983 the assessment was \$100,000 and the exemption was \$40,000, or 42%. In the convening 23 years the exemption never increased, it is not keeping pace with the assessments. With the current assessment the same \$40,000 exemption is only worth 4%. He knows the tax rate dropped from \$7.00 to \$6.00 and eventually to \$3.75. Is the Council looking specifically at the exemption as a form of relief by ordinance, or law? As the assessments went up the rate had gone down.
- Ken Kanter was concerned those 1900 appeals were still pending from 2005, and that it would increase with the lag from year to year. Mr. Kurokawa responded the lag has gone down from 2003-2004. During that time there were 1500 appeals from Waikiki and other backlogs were in areas that were growing, Manoa or East Oahu. The class of the appeals--whether it is condominiums or residences, is usually generated by demographics of a larger area.
- Grant O'Donnell, Kailua resident, stated that in 1996 the average square foot was appraised at \$260. In 2000 the average square foot was appraised at \$400. Now (2006) the average square foot is appraised at \$772. Everybody in the area is getting hurt. Taxes continue to go up but residents are on fixed income. It is not fair to assess in this way with market value. There are other ways to assess the properties. Is it not true the City is using the most beneficial to the City? Last year I appealed and paid my \$25.00. Here we are again. The last few years, since the year 2000 we have had the assessment go up to \$400 per square foot and some years \$350 per square foot. In 2002 it was \$454. Now it's \$772. And the reason may be that some houses on Kailua Beach are \$1 million and everyone is being assessed in that area for that value. Having lived in my same house for 45 years, this is not fair—not fair.
- Alan Sousa gave the suggestion that since 30-40% appeal and win there is a problem with the way the system has been set. The use of 100% market value is most beneficial to the City tax collectors. Mr. Kurokawa attempted to reply and Mr. Sousa reminded Mr. Kurokawa he was the one to use the "win: which places the homeowners and taxpayers in an adversarial contest with a system designed to over-assess and over-tax. Mr. Sousa suggested that if 30-40% who file an appeal actually "win" that for those who have not appealed, then applying the same criteria, 30-40% of the entire populations would have "won" had they filed an appeal and the system is not being managed correctly. Perhaps 30-40% of the department's numbers have a problem of accuracy up to 50%.

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The room lost order.

- Councilwoman Barbara Marshall restored order and stated that Mr. Kurokawa was not responsible for setting up the system, only responsible for administering it. And for those people who do not appeal, even if their assessment is incorrect, the department has no way to know.
- Tom Bowman requested the time span used on sales and recordings prior to the assessment for 2006 being prepared. Mr. Kurokawa responded the time span was July 1, 2004 to June 30, 2005. Mr. Bowman asked if the assessment was then prepared using the sales and comparable values for the 2006 assessments. Mr. Kurokawa responded yes.

Councilwoman Barbara Marshall thanked Gary Kurokawa for his participation. She reminded the audience that if they thought they had been assessed incorrectly the appeal must be filed by January 17, 2005. If they felt they had exemptions or tax credits due them they should file the necessary paperwork to gain those exemptions and tax credits. For those who are disabled, blind, they need to file those forms as well. Fixed income and low income persons need to fill out their forms for available tax credits as well. Exemptions for age brackets need to be filled out. Forms were available in the room and online for those purposes. Councilwoman Marshall reminded the room that the budget from the Mayor is out now and is being examined by City Council. The administration has provided copies of budget material for tonight as well.

CITY COUNCIL LEGISLATIVE INITIATIVES FOR REAL PROPERTY TAX RELIEF: RESOLUTION 05-412 RELATING TO PROPERTY TAX REDUCTION

-- Councilmember Barbara Marshall: When the assessments came out December 15, 2005 and they were up 26% Councilmember Marshall immediately filed resolution 05-412 calling for the Mayor to examine his budget and find ways to cut the tax rates. The City Council cannot cut the tax rates until the Budget comes to the City Council. If the Mayor will not cut the tax rates, the Council will and Councilmember Barbara Marshall will. The system has been set up as fair market value and to adjust assessments it is necessary to address the tax rates. While the Mayor is unwilling to cut the tax rate, the Council is fearful the public will be confused if it cuts the rate this year. Councilwoman Marshall disagrees with City Council. If the system is to continue using fair market value then the way to adjust is in the tax rate. Assessment goes up, tax rate goes down. Last year Council passed Bill 6, which provides that anyone with an income of less than \$50,000 does not have to pay more than 4% of that income in property taxes. The problem the Council has is that the City has to operate. Each time we lower revenue from some people, the more has to be made up by others. Young people are hardest hit, they can't afford to own and they can't afford to rent. So, the more tax credits for older people have to be made up by the younger people. The young pick up the burden. Some have suggested a cap on property tax as was done in California. While that may be good for people who have been in their homes a long time, it places an extra burden on people who are younger and now they can't afford to buy the first home.

STATE LEGISLATIVE INITIATIVES FOR REAL PROPERTY TAX RELIEF:

- Senator Bob Hogue offered a set of common sense proposals: 1) The City and County should repeal the \$25.00 appeals fee; 2) the State can send the adjudicated traffic fines to the City and County; 3) When the assessed value of the property goes up, the exemption should go up at some rate; 4) at the State level, the GET is going up, let us stop that from going up and require it to go down; 5) as at least one of my constituents (on fixed income) pays 1/2 of his fixed income on Food Tax, Gas Tax and Property Taxes, well, then let's repeal the GET on Food; 6) let us also repeal the GET for rents. Call or email me and your local legislators and get them involved in these issues with your testimony. Only you can affect the political will.

Councilwoman Barbara Marshall reminded the audience that the Budget Committee of the City Council is having a special meeting to hear their concerns on January 26, 2006. Please attend and send in your testimony.

Senator Fred Hemmings stated that he had introduced a bill in 2005 to send 50% of the adjudicated traffic fines back to the counties. That bill needs to be re-introduced this legislative session. While the

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- property tax has increased it is still less than other municipalities; however the city does not pay for schools, the State does. We need to pass legislation to reduce the GET rate at the State level.
- Representative Pono Chong stated that he has introduced into the current legislative session 1) residents home exemption for “resident” not “investor” to provide relief for residents. As many as 90% of the home sales last year were to out-of-state buyers. Investors should pay their fair share.
- Representative Cynthia Thielen wants residents to testify during the legislative session and is personally signing the petition in the room tonight to reduce property tax for residents.

SUGGESTIONS FROM THE COMMUNITY ON RESOLUTIONS AND BILLS:

- Shannon Wood, resident of Enchanted Lakes and a renter wants to insure there is tax relief for renters. It is sometimes said that renters don’t give to the community, however, this is not true in my case—she gives a lot to her community. The average tax bill on Oahu is \$1,730 a year. That pays for everything the City and County does, and does not do, for taxpayers on Oahu. She just wants to make sure she’s not subsidizing someone else when they get an exemption or tax credit. Councilwoman Marshall stated there were several bills in Council currently that address the owner who rents so as not to overburden the renters for the sake of the homeowner/occupants.
- Stann Reiziss pointed out that Social Security benefits have gone up a total of 4.1% in 2006, however it is not enough to live on. The Consumer Price Index has gone up to 3.3% in 2006. The Cost of Living has gone up 3.5% in 2006. Property Taxes on the Island of Oahu have gone up 25.9% in 2006. He proposed every year there be a cap be placed on Property Tax increases to reflect the Federal CPI and the Social Security Benefit increases so as to keep property tax rates from soaring beyond the cost of living. And, he also considers a resolution no better than spitting in the wind because they are just fake bills. He noted no bills were introduced by our councilmember. A bill would be more meaningful to our residents for property tax relief.
- Bob Grantham and John Ellis started a grass roots petition for Property Tax Relief Now (PTRN) just about ten days ago. They currently have over 2,000 signatures and would like to have 5,000 or more. They need to get people behind rolling the tax rate back before the ridiculous property tax has to be paid in August. They want to be able to represent the thousands of petitioners at the hearings and testify that the taxes need to be rolled back now—and, that the City has to live within its means just as the homeowners have to live within their means. It is great that the City Council has so many bills, but that just says they have great ideas, however, when you read them, you get confused. It appears the City Council can’t make up its mind on how to address the problem of tax rates and assessments.
- Alden Avery questioned whether or not seniors are properly being considered and if there will be an increase in the individual exemptions? Councilmember Marshall answered yes.
- Jeanne Schultz, representing the Mayor, reported that the City is 3 billion dollars in debt. That is \$3,000 for every individual on Oahu. The Mayor is offering \$40 million in property tax cuts but needs the \$65 million for many necessary services which include the fixed costs increases. And the Administration is looking to include 5 million dollars for the rainy day fund. Of the 20 municipalities our size, fifteen have reserves of 5% in their budgets. The Mayor wants that fund to be there when it is needed. The Mayor has prepared a two-page narrative that addresses the fiscal needs of the City and that is available for you on the table. She also lives in Kailua and is affected by the property tax increase; however, the City needs the funds to operate.
- Ronald Foster, resident of Kailua suggested the proposals are a temporary fix. The same issue will surface year after year. We need permanent relief.

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- Councilmember Barbara Marshall stated that a pivotal rate may lower the impact of property tax. The Key is to tighten the reign on spending. The fixed costs for the Honolulu Police Department and the Honolulu Fire Department are currently at 57 cents on ever \$1.00 of salary. Most folks are not willing to give up much of anything. Trash still needs to be picked up. There are those that think we should charge for trash pickup--for green waste pickup. City Council prefers not to do that. Council also prefers not to add a fee to use the parks. The City is way behind in sewer repairs and maintenance and has a huge debt service; all this affects the quality of life on Oahu. We all know that some things were let go and have gotten way behind. The old tax rate has come down from \$9.00 to \$3.75. The previous Administration took sewer funds from the road funds. This Mayor has to make up for all of that. The debt ceiling has risen from \$3,000,000 to \$8.8 million. The property tax assessments have risen in the double digits over the past four years from 100%, 200%, 300% and even 400% in some areas such as Kailua. Tax rate is key to securing the City's operating funds. However, when the property values go up the assessments go up, the tax rate needs to come down. Council must look at fair market value and the assessments as well as the tax rate.
- Mr. Foster asked the outcome during the hearings from 2004 on Bill 81 and 82 that addressed the debt ceiling? Councilwoman Marshall stated that if City Council caps the property tax, the City won't be able to operate. Mr. Foster stated that the Mayor wants the City Council to consider a permanent and logical fix over the next five years.
- Raymond Lau, having lived in Kailua for over 35 years (Enchanted Lakes) and having qualified for his exemption (nine years ago) of \$120,000 five years ago was 35% is now less than 15%. Mr. Lau suggested raising the exemptions by percentages, e.g. a forty year old person get 10%; a 50 year old person gets 15%; and so forth, and maybe a 70 year old gets 35%. That would be a percentage against the assessment and keep the extraordinarily high values of the assessment corrected for the exemptions. Councilwoman Marshall thanked Mr. Lau for his suggestion; mentioning one councilmember has introduced such a concept, but cautioned that Oahu has an inordinate number of older people, as does the State. However, because of the numbers of older persons a calculation for fixed income is more feasible. If we give a blanket exemption to all people, some are very well off and do not need it while the young families don't qualify by age and their incomes are lower. It was attempted by Council to place a lien on the property for the taxes for the elderly to be paid back at the end, and Corporation Counsel said we could not do that because the amount of the lien and its repayment changes every year.
- Larry Bartley cautioned against working people being the scapegoat, pointing out that the working people are going to end up being billed for what fixed income people receive tax credits or exemptions for. Don't pit the working people against the fixed income people. Working people will fight back. Some fixed income people are using more City services as well. You need to stay away from turning the property tax into another income tax. If you make the property tax look like an income tax, the working people will take it to court.
- Richard _____, Waimanalo resident, stated that if we are to have all these tax cuts, they need to be offset. The State says help is on the way. Resident homeowners are being taxed higher while outside investors are turning over the properties, renting them out and passing the tax through to the renter. The outside investor often takes the money off the island and therefore, it is not re-circulated in the local economy. Richard further suggested that a transfer of a portion of the conveyance tax (4.5% of the sales price) be turned over to the City/Counties. One method would be to transfer 1.5% to the City, 1.5% to the County and have the State retain 1.5%. Is there any Bill that is considering a transfer of the conveyance tax? 1.5% of the Conveyance tax would generate \$15 million dollars a year for the City. Councilwoman Marshall stated the City Council had considered the possibility; however, the City/County has no authority to collect conveyance taxes. Such a transfer would have to come from the State--by legislation.
- Mike Darbe stated he was for Fair Property Taxes. The current property tax increase is supposed to be calculated for 2006-2007. However, in 2007, the increase could be worse. This present tax increase has

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- frightened the homeowners. They have a right to be frightened. Is the Property tax the right tax for the City? If the functions of the City are to be shared by the residents of the City, then is the property tax the correct tax method to use?
- Tom Geis recalled that sometime in before or during 1982 the exemption was less than the \$40,000 exemption. It seems that it would be a good idea to see what that ratio was in 1982 and apply that ratio to today for the new exemption. Also, the hotel industry has been making big money the last couple of years—you see it in the papers all the time, but the City is not raising their property taxes. They use the infrastructure and the services while not sharing the cost of the infrastructure and the services. This negatively affects the resident's quality of life. Councilmember Marshall replied that the 20% of the Transient Accommodation Tax (paid by every visitor to the State) is given to the island of Oahu, the rest remains with the State or other Counties (outer islands). Oahu hosts more of the tourist industry and needs more of the Transient Accommodation Tax. Tell your State Legislators to adjust this percentage.
- Ed Enos was born and raised on Oahu and lived in Kailua over 10 years. More importantly—a registered voter. The best way to reduce the property taxes is to stop voting for State Legislators and County folks who continually support raising our property taxes year after year after year. It is obvious here tonight that this valuation on market value and the use of mass assessment is crazy. The Mayor should have the City Budget figured out through at least 2012. You folks don't even know what it will cost to run the City next year. How can you do that? It makes one wonder what our property valuations will be next year. How can you run a government based on this system? Why not begin with the 2003 or 2004 as a base and then make a modest change like the Consumer Price Index that goes from year to year—both up and down. If you guys budget your expenses better and monitor them so you know what you have and where you are going—like we have too in our households. Don't take the hard working young people that go to work everyday to support charity for the old. Yes we have a large number of older people here. You are expecting the younger people to pick up the tab for the entire population.
- Don Mangiarelli, a resident of Kailua for 15 years, was concerned that the City & County of Honolulu is spending the bulk of its money on other side of island and not this side of the island. And yet the property values on this side of the island are rising faster than anywhere else on the island. In fact, the property values are now the same as Kahala. That means if a hurricane comes—it rips down a million dollar house. Why are you suggesting we charge prices to use the beach? Visitors come here every day and use our beaches. The City even changed the use of parks like Hanauma Bay. We pay for the operation and maintenance of the Zoo, and the Aquarium and the operation of Hanauma Bay. Residents don't get lower price to use these facilities. Council member Marshall agreed, however, she noted that Hanauma Bay pays for itself. Mr. Mangiarelli question why, if the State pays for the public education system and only half the children attend public school, doesn't that speak to the inability of the government to provide for its citizens even when the taxes are so high.
- Julie Lim, resident in Kailua for 17 years, who wishes to remain in Kailua, stated that prices continue to go up but it is difficult to bring in more household money. Out of state investors are heavily taxed in some areas of the country because they take the money out of the state and don't give back to the economy. Realtors get the same percentage on their sale whether it is an outside investor or a local resident. Realtors are making 100s of percent more on their sales because the property values have gone up so quickly. Just in the last ten years my house has gone from a value of \$200,000 to \$700,000. But a realtor is working no harder to sell my house today than they did 10 years ago. Yet they get the same percentage of the sale and have given nothing back to the community. They are bringing in investors from the mainland, Asia, and Europe. What needs to be done is to give an exemption to resident homeowners and property owners who are renting out to low-income renters. That would help our younger people who want to stay in the islands and have a home. Many people are willing to rent out their houses to low-income folks.

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- Council member Marshall took this opportunity to remind the audience of the Budget meeting January 26 at 9:00 a.m. Testifiers may either submit testimony in person, email or fax. You may also call Councilmember Marshall at 547-7003 or email bmarshall@honolulu.gov.
- Tom Bowman, inquired about the January 8th Honolulu Star Bulletin article, concerning Bill 6, that would cap the tax at 4% of income. Council member Marshall explained that the income had to be \$50,000 or less for the household. The property tax would be capped at 4% of the income up to \$50,000. This is designed for low income households. There is an amendment to that bill to expand the income level to \$75,000; however, we have no index on how many might qualify at that rate. It may affect the budget adversely. If the 4% applied to all households, regardless of income, the results would be catastrophic for the budget. Mr. Bowman asked further that if a homeowner was 55 or older and qualified for the tax credit for capping the property tax at 4% of income, provided the homeowner owned only one property. Especially if you were low income while you also owned an apartment you allowed your mother to live in rent free because of her low income. Why would you be restricted to only owning one property? Councilmember Marshall stated the income level is a factor of the household and is therefore based on owning only one property. It could be that if you are well off enough to own two properties, you would be able to sell one. Homeowner exemptions are based on owning only one property because you can only reside in one property.
- Realtor Donna Stott explained that homeowner exemptions are always at a flat rate. However, property tax percentage ratios to household income or to age bracket are a forms of reduction to property taxes that may make more sense to homeowners when the look at the assessed value of their homes.
- Gentleman from audience asked about loss of revenue. As the property tax assessment has gone up 26%. GET tax is up. All taxes have gone up. He feels the way about property tax the same way he feels about a poll tax. You must realize that if you lower taxes people will spend more money. You will have more revenue coming in. Then you would have the money for things like the sewer. Councilmember Marshall responded by explaining that property tax provides the City and County 35% of its tax revenue. If we lower the property tax and take in less revenue and you have more to spend, the State takes in more tax and lowers you income tax. The City still has to pay for your Honolulu Police Department and your Honolulu Fire Department but does not get this money from the State. I hear your logic, but the State benefits from the increased revenue when the City decreases its revenue while the City then does not have the revenue to provide the services the State says the City must provide--catch twenty-two.
- Debbi Glanstein, member of the Kailua Neighborhood Board No. 31 stated she has lived in Kailua since 1964, a long time. Having raised a family here she can assure everyone that this community, the Neighborhood Board members, the families of the community, whether they intend to stay or nor not; this conversation will continue. It will continue at City Council, it will continue at the Neighborhood Board meeting February 2nd. She encouraged all to participate in the process. We need your voices. We need your ideas. We need you at the City level, at the State level. Speak to your neighbors, your family members, you co-workers—we need all of you to participate in the decisions of government. That's what you pay them for, that's why they are here. Thank you everyone, thank you for being here tonight.
- Woman in audience stresses that whatever you do; those lucky enough to own a home and those owners who are fortunate enough to own two or more properties; owners and investors who rent out properties pass their property taxes on to the renters, of all the sales in Kailua in the past year, 80 percent were investors and 16 percent were homeowners.
- Councilmember Marshall reminded the audience that appeals must be filed by January 17, 2006.

Kathy Bryant-Hunter, on behalf of the Board, thanked the audience for participating, Councilmember Marshall and her staff for addressing the questions posed by the community concerning the bills and resolutions being considered by City Council, the State legislators for providing input for what the legislators are considering to

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address State revenues that may provide relief to homeowners and residents this session and a special thanks to Linda Ure, our Board Secretary for taking notes all night long.

The next Board meeting is February 2, 2006 at 7:00 p.m. and this issue is on our agenda and we will take under advisement the recommendations given here tonight to take back to City Council and the State Legislature to address the property tax problem that we, as a community face.

Glanstein moved and Ure seconded to adjourn. Hearing no objections the meeting was adjourned at 8:58 p.m.

Submitted by Linda Ure, Secretary, Kailua Neighborhood Board No. 31.